

## INCENTIVE PLAN CHANGE TEMPLATE

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## Part C: Modification of Performance Measure

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule
5%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> <li>(2%) High Quality LIBOR Fund – CalPERS Blended Libor Fed Fund Index (Daily) {SW3X – CPERLFFD}</li> <li>(1%) Short Duration Fund – CalPERS Blended Libor Fed Fund Index (Daily) (SW9D – CPERLFFD)</li> <li>(1%) CalPERS Internally Managed Short Term - State Street STIF net of fees {SJ10 – Y8K2}</li> </ul> <p>Excess return in basis points relative to:</p> <ul style="list-style-type: none"> <li>(1%) Commodities – [A combination of 90% (Goldman Sachs Commodity Index – Excess Return (GSCI – ER) minus cost of swap fees (25 basis points) + 100% (three month Treasury Bill returns rebalanced quarterly). Based on a neutral allocation of \$500 million]. SWFP – PERSGSC}</li> </ul>	<p>0 basis points = 0 + 5 basis points = 1.0 + 8 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 + 5 basis points = 1.0 +10 basis points = 1.5</p> <p>0 basis points = 0 + 80 basis points = 1.0 +120 basis points = 1.5</p>

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule
5%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> <li>• <b>(3%)</b> High Quality LIBOR Fund – CalPERS Blended Libor Fed Fund Index (Daily) {SW3X – CPERLFFD}</li> <li>• (1%) Short Duration Fund – CalPERS Blended Libor Fed Fund Index (Daily) (SW9D – CPERLFFD)</li> <li>• (1%) CalPERS Internally Managed Short Term - State Street STIF net of fees {SJ10 – Y8K2}</li> </ul>	<p>0 basis points = 0 + 5 basis points = 1.0 + 8 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 + 5 basis points = 1.0 +10 basis points = 1.5</p>

**Reason for proposed change:** On January 1, 2008 the Commodities Program will be transferred from Global Fixed Income to asset Allocation.